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To: San Jose Medical Center Stakeholder Advisory Committee
From: Henry W. Zaretsky, Ph.D. 
Date: October 11, 2007
Re: Recommendations for Committee Action

Now that the Committee's deliberations are drawing to a close, in my role as your health care consultant I am forwarding my recommendations for your consideration.

I have been studying this issue since mid 2004, before the closure of San Jose Medical Center (SJMC). My involvement began with the City and the County retaining me to assess the likely impact of SJMC's imminent closure on the community served by the hospital. I was guided in that effort by a very able and committed Technical Advisory Committee, whose members are well represented on your Stakeholder Advisory Committee. The report on that effort was submitted in late 2004, just at the time of SJMC's closure.¹

That analysis showed, to my initial surprise, that the downtown community is likely to face a hospital bed shortage by 2020, even with the proposed expansion of Regional Medical Center (RMC). That projection is based on:

- (1) Population projections generated by the Association of Bay Area Governments (ABAG);
- (2) RMC's expansion plans; and
- (3) Santa Clara Valley Medical Center's building plans.

Thus, even with these building plans there is likely to be a shortage by 2020 of inpatient capacity readily accessible to the downtown population. The projected demand for hospital services on the part of the downtown population is driven by a projected aging of this population. Certainly projections are not guaranteed, and there could be an unanticipated increase (i.e., not accounted for at the time the projections were made) in capacity on the part of nearby hospitals, such as O'Connor.

¹ *San Jose Medical Center Closure Study: Final Report*, Henry W. Zaretsky & Associates, Inc., November 15, 2004.

Notwithstanding these uncertainties, I believe it is in the best interests of the City of San Jose to plan for needed hospital capacity in the coming decade. At worst, hospitals currently serving the downtown community will expand capacity beyond what is currently planned, making such a planning effort redundant.

While the unmet hospital needs are not immediate, a considerable lead time is necessary to effectively plan for hospital facilities. Thus, I believe there is an immediate need for the City to establish a formal planning process, including a commitment to making an appropriate site available. As mentioned in the 2004 report, "Local elected officials should seize on this 'early warning' by establishing a planning process and an implementation strategy to ensure such a bed shortage does not materialize."²

There are also immediate health needs that do not involve constructing hospital facilities. These needs include a primary care clinic and an urgent care center.

I thus recommend:

(1) Establishment of a primary care clinic on or near the current SJMC site. Given the demographics and payer mix of the local population that was served by SJMC, it is essential that this clinic commit to accept all patients in need of care without regard to financial sponsorship; and

(2) Establishment of an urgent care clinic on or near the current SJMC site. Similarly, this facility should commit to accept all patients in need of care without regard to financial sponsorship.

The economic feasibility of these services should be assured by an enforceable agreement requiring the property owner (HCA) to provide significant resources. With respect to the primary care clinic, a one-time capital subsidy may be necessary to enable the Gardner Clinic to relocate to the immediate SJMC area. If the Gardner Clinic cannot commit to also provide urgent care services, HCA's sponsorship of an urgent care clinic on a site close (hopefully adjacent) to the primary care clinic should be considered.

Regarding hospital services, I recommend immediate commencement of the planning process discussed above, along with a commitment by the City to designate an appropriate site as the planning process proceeds. The City should designate staff and provide a sufficient budget for the planning process.

I do not recommend designation of a portion of the current SJMC site for a future hospital for two reasons. First, other sites may be more appropriate, especially given the projected growth in the North San Jose area. Selecting a site accessible to both downtown and North San Jose would enable development of a larger, better equipped and more financially viable hospital. Second, attempting to designate a portion of the current SJMC site for a future hospital would generate conflict between the City and HCA that

² *op. cit.*, p. 11.

has the potential to derail development of the more immediately needed primary care and urgent care clinics.

I will be available at your November 7 meeting to discuss these recommendations further.